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SUBJECT: KAZAKHSTAN: AMBASSADOR RAISES BN-350 PROGRAM, WTO
ACCESSION WITH PM MASIMOV

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: The Ambassador asked Prime Minister Karim Masimov on July 22 to ensure Kazakhstan meets its funding commitment for the BN-350 spent fuel program and to sign a decree facilitating transfer of the program's fuel transport casks and railcars to Kazakhstani entities. Masimov promised to take action and issue instructions to the appropriate ministries. He told the Ambassador that Kazakhstan is proceeding with the Russia-Belarus-Kazakhstan Customs Union in accordance with the June 9 Moscow announcement, though a final decision will be made on how to reconcile the customs union with the countries' WTO aspirations at a November heads-of-state summit in Minsk. Masimov said that Under Secretary Burns's July 10 meeting with President Nazarbayev was very important for Kazakhstan, and reported that he had invited Special Representative Holbrooke to visit Astana in August. He stressed the importance of continuing to move forward on the Public-Private Economic Partnership Initiative (PPEPI, see septel). END SUMMARY.

BN-350 PROGRAM

13. (SBU) During a July 22 meeting, the Ambassador asked Prime Minister Karim Masimov to take action to ensure that Kazakhstan meets its commitment to provide \$5 million in 2009 for our bilateral program to transport and store the spent fuel from Kazakhstan's decommissioned BN-350 plutonium breeder reactor. He also asked Masimov to sign a decree, already prepared by the Ministry of Energy and Mineral Resources, which will permit Kazakhstani entities to take ownership of program's fuel transport casks and railcars without incurring negative financial and tax consequences. The Ambassador further suggested that the Kazakhstani government consider issuing a general decree that would resolve this problem for all future property transfer cases under our assistance programs.

14. (SBU) Masimov responded that he was already aware of these issues to an extent. He promised to take action to resolve them, including giving the necessary instructions to the Ministry of Economy and Budget Planning and Ministry of Energy and Mineral Resources.

WTO ACCESSION AND THE CUSTOMS UNION

15. (SBU) The Ambassador noted that at the G-8 summit in L'Aquila, Italy, Russian President Medvedev appeared to have partially walked back the June 9 announcement in Moscow that Russia, Belarus, and Kazakhstan, would suspend their individual efforts to join the WTO in favor of acceding together as a customs union. He asked Masimov about the impact of Medvedev's statement. Masimov responded that Kazakhstan is still operating in accordance with the June 9 announcement, since it had not received any official notification from the Russians that they have adopted a new approach. Regular consultations with Moscow are ongoing, and a final decision on how to proceed will be taken by heads of state at a November summit in Minsk, he explained.

16. (SBU) Masimov said that in any event, Kazakhstan remains intent on acceding to the WTO. He explained, "I feel that we can find a mutually acceptable solution that will also be good for the WTO and the United States." He stressed that Kazakhstan nevertheless needs open access to the Russian market, and argued that the customs union will help attract significant investment to Kazakhstan, because it has a better investment climate and more liberal tax regime than both Russia and Belarus. Perhaps also admitting there are other factors motivating the customs union, Masimov quoted an excerpt from a book by former Indian Prime Minister Vajpayee that he had recently read: "We can change history, but we can not change geography; we can change our friends, but we can not change our neighbors."

BURNS VISIT, PPEPI

17. (SBU) Masimov then turned to the bilateral relationship, noting

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that Under Secretary Bill Burns's July 10 meeting in Astana with President Nazarbayev was Kazakhstan's first high-level meeting with the Obama Administration. "This was very important, and we valued it very highly," he explained. Masimov said it is essential that we continue moving forward on the Public-Private Economic Partnership Initiative (PPEPI). "At some point, the global economic crisis will be over, and there will be new investment opportunities in Kazakhstan," he added.

INVITATION TO SPECIAL REPRESENTATIVE HOLBROOKE

18. (SBU) Masimov said he had recently spoken by telephone with Special Representative Richard Holbrooke, and had invited him to visit Kazakhstan in August to discuss bilateral cooperation on Afghanistan.

19. (SBU) Masimov informed the Ambassador that former EUR DAS David Merkel had accepted an invitation to join the international advisory board of Astana's new showcase university, and would occasionally be visiting Kazakhstan in this capacity. He added that he had received word that former Secretary of State Rice might be interested in making a private trip to Kazakhstan at some point in the future.

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